

Message Text

UNCLASSIFIED

PAGE 01 CANBER 03366 272059Z

64

ACTION EB-07

INFO OCT-01 EUR-12 EA-10 ISO-00 AGR-10 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02

FRB-01 OMB-01 L-03 PA-02 PRS-01 USIA-15 (ISO) W

----- 080580

R 270736Z MAY 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 5828

INFO AMEMBASSY WELLINGTON

AMEMBASSY LONDON

AMEMBASSY TOKYO

UNCLAS CANBERRA 3366

PASS AGRICULTURE FOR MEEKER AND ANDERSON, FAS/W
AND USIA

E.O. 11652: N/A

TAGS: EAGR, ETRD, EGEN, AS

SUBJ: GOVERNMENT ATTEMPT TO LOWER FLOOR PRICE FOR
WOOL HALTED IN CAUCUS.

1. IN A SURPRISE MOVE ON FRIDAY, THE FEDERAL CABINET
DECIDED TO REDUCE GOVERNMENT SUPPORT TO THE WOOL INDUSTRY
BY REDUCING THE BASIC FLOOR PRICE FROM 251 A CENTS PER
KG TO 200 A CENTS FOR THE 1975/76 CLIP, 21 MICRON GRADE
WOOL, CLEAN BASIS. HOWEVER, THE CABINET DECISION WAS
OVER-TURNED IN CAUCUS ON TUESDAY BY A WIDE MARGIN OF
56 TO 29, THUS MAINTAINING THE ORIGINAL 250 A CENTS PER
KG FLOOR PRICE FOR 1975/76.

2. WOOL INDUSTRY LEADERS WERE STUNNED BY THE CABINET
DECISION AND WAGED A STRONG BATTLE OVER THE WEEK-END
TO HOLD THE CURRENT FLOORPRICE, ASSERTING THAT THE
CUT WOULD HAVE BROUGHT CHAOS TO THE INDUSTRY. THEY CLAIMED
THAT REDUCING THE FLOOR PRICE WOULD HAVE MEANT A VIRTUAL
HALT TO THE AUCTIONS BETWEEN NOW AND JULY WHEN THE NEW PRICE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CANBER 03366 272059Z

WAS TO HAVE BECOME EFFECTIVE. THEY ALSO CONTENDED THAT A

20 PERCENT DROP IN MARKET PRICES WOULD HAVE MEANT A LOSS OF ABOUT \$A80 MILLION FOR THE 1.6 MILLION BALES OF WOOL THE AUSTRALIAN WOOL CORPORATION ALREADY HAS IN STORE.

3. THE MOVE ON THE PART OF THE GOVERNMENT WAS AN ATTEMPT TO CUT EXPENDITURES BECAUSE OF THE LARGE DEFICIT IT WAS ALREADY FACING. THE AWC IS CURRENTLY IN DEBT WELL OVER \$A400 MILLION SUPPORTING THIS YEARS WOOL CROP, OF WHICH \$A360 MILLION HAS BEEN PROVIDED BY GUARANTEED GOVERNMENT LOANS. ALTHOUGH THE MARKET HAS IMPROVED IN RECENT WEEKS, THE GOVERNMENT WAS CONCERNED THAT THE AWC WILL BE FORCED BACK IN THE MARKET AGAIN LATER AND THAT IT COULD BE IN DEBT BY AS MUCH AS \$A600 MILLION BY THE END OF 1975/76. AWC NEEDS ABOUT 275 A CENTS PER KG TO CLEAR OUT THE PRESENT STOCKPILE WITHOUT TAKING A LOSS.

4. EMBASSY COMMENT: WE VIEW WITH GREAT SKEPTICISM THE INDUSTRY'S CONTENTIONS RESPECTING THE MARKET EFFECTS OF THE PROPOSED FLOOR PRICE CHANGE. GIVEN THE RECENT STRENGTHENING OF WOOL PRICES, IT IS FAR FROM CLEAR THAT A CHANGE IN THE FLOOR PRICE WOULD DIRECTLY AFFECT THE MARKET PRICE, WHILE THE PRICE AT WHICH THE ENORMOUS QUANTITY OF WOOL NOW HELD BY THE CORPORATION WILL BE SOLD IS NOT DIRECTLY RELATED TO THE PAST OR FUTURE ACQUISITION PRICE. ON THE OTHER HAND, HOWEVER, THE CAUCUS REVERSAL OF THE CABINET DECISION COMES AS NO SURPRISE. THE RURAL REACTION TO THE CABINET DECISION POSED A SERIOUS THREAT TO NUMEROUS LABOR GOVERNMENT PARLIAMENTARY SEATS WITH LARGE RURAL VOTE AND THE RESULT WAS IRRESISTIBLE POLITICAL PRESSURE FOR RETENTION OF THE HIGH FLOOR PRICE.
GREEN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WOOL, TEXTILE INDUSTRY, PRICE CONTROLS, CENTRAL GOVERNMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 27 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CANBER03366
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750185-0390
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750514/aaaaamrp.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 29 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 JUL 2003 by SilvaL0>; APPROVED <02 FEB 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOVERNMENT ATTEMPT TO LOWER FLOOR PRICE FOR WOOL HALTED IN CAUCUS.
TAGS: EAGR, ETRD, EGEN, AS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006